

The old model and its abandonment (x)

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1

It seems rather presumptuous for me to attempt this endeavour about the old model with such a short notice.

For this reason, I will try to be not very specific, so that to begin with I will not speak of a model, but rather of a vision.

The vision that I will comment about, is that that was predominant at the end of the 40's or beginning of the 50's as regard to the development process. It is during that period that the vision emerges, a period that is characterized by:

a) From a political angle, there is a bipolar world, with a good number of countries being yet colonies, and whose political institution is well represented by the creation of United Nations.

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(xx) The views presented in this note does not in any way commit the institutions with which he is associated.

- b) In economics term, there are also two worlds: the developed and the under-developed one (only during the 60's this denomination is changed to developing, that it is supposed to be less peyorative, and intraduces the idea of a more dynamic process), with an strong influence of the U.S. The agreements of Bretton Woods represent the major institutional achievement to reconstruct the world and to organize a monetary system that will allow the smooth functioning of that world.
- c) As far as the values that the vision had, they were simple and almost naive: to be a developed country was something "good" to which every country should devote its efforts. To be developed was to have the social system, organization, economic structure and the standard of living of, mainly, the U.S. that was the prototype. Those values included a "democratic" political system along the lines of the U.S. or U.K.

II

What this vision implied was an extreme confidence in the fact that the process of development was almost a question of time and, taken the "appropriate measures" it would become almost automatic. The gap that existed between rich and poor countries was only the difference in countries that started earlier or later their development. If we want to represent this optimistic line of thought, I guess that a good example would be to take Rostow. Stages of Economic Growth. In spite of the fact that was pu-

blished in 1961, it represents quite well this idea: once that a country reached the mythical figure of investment the "take off" would occur automatically.

This development would lead to a more egalitarian society, because the gains would be shared by all its participants. It was Kuznets, that in his Presidential Address to the American Economic Association (in December 1953) "proved" that after an stage of increasing concentration of income, the development process will produce the opposite effect. And to demonstrate this assertion an impressive data was utilized, in time and spatial series for different periods and countries.

To crown this vision, political scientist made their contribution, showing in how, as long as development process is taking place, the sometimes not very democratic systems of government evolve to more democratic ones. Lipsett's Political Man is to be remembered here.

Therefore, the vision works well.

III

Unfortunately, during the early 60's some minor inconveniences appear in this nice picture. Some of the tools or the assumption that this vision took for granted, were not working very well. Apparently, it was necessary to introduce some adjustments. Let me mention a few of them:

The financial flow that was implicit should go from developed to developing (now this is the right word) countries to "aid" the process and to get better profits; was not running well. The answer was to create the Regional Banks.

The panacea of industrialization (through import substitution) was coming to an end, given the size of the national markets. Several schemes of regional integration were attempted. (In Latin America, ALALC in 1959, the Central American Common Market in the early 60's and the Andean Pact in 1966).

Rostow in his book, explained that in order to have the "take off" it was necessary to have first, the "preconditions for it", which means, to generate some structural changes in that particular society. Since many ruling elites were not pro to do that in a rapid fashion (or simply, they did not want to do it at all) the Alliance for Progress was launched in March 1961. Now, if a country -at least in Latin America- wanted to be in good terms with the **U.S.** and get "aid" should have land reform, fiscal reform, planning, to widen the access of the "masses" to better health and education, etc.

The balance of payments in several countries (the most "developed" among the developing) was having some difficulties, primarily because the nature of trade. To overcome this situation, UNCTAD was established.

IV

Nevertheless, notwithstanding these reforms, it was very clear that the vision was not going to be fulfilled. By 1975, the gap between developed and developing countries was wider and bigger than 25 years ago. Within the nation in most cases growth have taken place, but the rich has become richer and the POOr, poorer. With respect to democracy, to set back has been so notorious that it is not necessary to point it out.

But, what it is worst, those things that in the past used to work, now were facing problems also: the international monetary system is in disarray; "stagflation" has appeared on stage, defeating post-keynesian and neo-classical recipes as well. Moreover, some new phenomena has reached important new dimensions, as it is the case of the multinational corporation, that poses new problems and defy the traditional concept of sovereignty of the national states.

The effect of all this, has been to illuminate the inadequacies of the conventional economic theory, or even more, of traditional approaches of social sciences to understand this new world that it is emerging. This has led to a process of rethinking in social sciences that for the moment has attacked the "conventional wisdom" but that has been unable to formulate alternative theories.

But the vision has been eroded further because the developed societies that were the "model" to imitate and the means to achieve it has been under attack from different sides. In this connection developed countries' model are not so well accepted now because:

- i) second thoughts about the quality of life;
- ii) excess of "consumerism" that in turn has led to concepts such as "triage", that are an outcome of the "limits of growth". It has been "discovered" that it would be impossible for all the planet to have the system of life of developed countries, because resources for that "model" would become scarce;
- iii) closely related with ii) danger of affecting the environment and biological balance has been associated with the kind of development that has taken place in developed societies.

In regard to the means to achieve development, several ideas has been under increasing doubts:

- i) industrialization is not considered anymore as a tool toward a more independent scheme; on the contrary, in many cases it has created a "new dependency" from the central countries;
- ii) planning, as a tecnocratic tool is not useful at all if it does not go together with the political changes and will to implement

- iii) integration has become only increasing markets for multinational corporations;
- iv) political and structural changes are not likely to be implemented, by the existing ruling elites. Non violent or "balloting" roads to carryout this changes has not been successful because the vested interests as it is shown by recent experiences.

VI

To sum up, the failures of the reformist and institutional arrangements (section 111), the incapacity to solve new problems with orthodox theories (IV) and the "discovery" that the goal and the means to reached it were not what we thought (V) has led to an abandonment of the old vision (or model according to the meeting' organisers).

The consequences of this abandonment has been several:

- 1) It has become increasingly clear that problems of development cannot be dealt within the boundaries of a given society, but mainly in its interaction with the rest of the world. Centm. and periphery schemes have become quite attractive for many social scientists.
- 2) The insertion of developing countries in the international economic system, trying to reproduce modes of development of the most advanced ones has not been successful. On the contrary, that kind of growth has led to increasing concentration of income, making social unrest deeper.

It goes without saying that this is to

a big extent responsible for the growing number of authoritarian and repressive regimes that now we have in Third World Countries. It has been the study of this insertion that have strngtghten the so ealled "dependency theories", as well as the increasing power of multinational corporations.

- 3) As the values and life styles of developed societies are under dispute, the search toward new ideas in this field are beginning to surface. A good example may be found in the recently published study Catastrophic or New Society? A Latin American Model where the authors assume a new model of society with a per capita income of \$ 1.200.-, but that can solve the basic needs of its inhabitants. This is an interesting departure, especially for those countries that are having growth, but not development, as it is the case of several Latin American countries. In fact that region have in 1975 the same gross domestic product than that of Europe in 1950 and both regions are far away one from the other as far their development structure is concerned.
- 4) Finally, the abandonment of the old vision have made many theories obsolete. To help to create the new ones should be one of the arms that the four regional associations should direct their endeavours and efforts.

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